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RUEHBJ/AMEMBASSY BEIJING 2214  
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RUEHBUL/AMEMBASSY KABUL 0614  
RUEHKT/AMEMBASSY KATHMANDU 0294  
RUEHNE/AMEMBASSY NEW DELHI 0462  
RHEFDIA/DIA WASHDC  
RUEAIIA/CIA WASHDC  
RUEKJCS/OSD WASHDC  
RHEHNSC/NSC WASHDC  
RUCPDO/USDOC WASHDC 0600  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUEHGV/USMISSION GENEVA 0653  
RUEHVEN/USMISSION USOSCE 2619  
RUCNDT/USMISSION USUN NEW YORK 1998  
RUEHNO/USMISSION USNATO BRUSSELS BE  
RUEHBS/USEU BRUSSELS  
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C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 000832

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DEPT FOR SCA/CEN (GEHRENBECK)

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TAGS: [PGOV](#) [ECON](#) [KCOR](#) [KMCA](#) [KG](#)

SUBJECT: KYRGYZ REFORMS: UNDER THE RADAR, BUT HAVING AN  
IMPACT

REF: A. BISHKEK 724

[1](#)B. BISHKEK 542

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Classified By: Ambassador Marie Yovanovitch for Reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: Against a backdrop of domestic political wrangling, changes in government personnel, and heated debate over the presence of the Manas Airbase, important reforms are beginning to reshape Kyrgyzstan's economy, business environment, criminal justice system, and media. While these reforms take root, constitutional amendments adjusting the balance of power between the executive and legislative branches are being reviewed by the Constitutional Court. Measured reflection on the political balance of power combined with an appetite for reform could signal an excellent opportunity for Millennium Challenge Corporation-funded initiatives to have a lasting and sustainable impact on Kyrgyzstan. End summary.

Rejuvenating the Economy  
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[1](#)2. (SBU) Against the backdrop of political wrangling and the continued focus on Manas airbase, the Kyrgyz government in recent months has taken concrete steps to institute certain reforms, especially with respect to the economy and business environment. Both President Bakiyev and Prime Minister Atambayev stressed such reforms during the recent forum on the Country Development Strategy (reftel A). PM Atambayev endorsed the reforms, including energy-related triggers, outlined in the failed Heavily Indebted Poor Countries

initiative. The government has also streamlined resource allocation by eliminating intermediate layers of administrative budget control (reftel B).

¶3. (SBU) President Bakiyev has convoked a reconstituted investment council that includes Kyrgyz and foreign business representatives. A recent council session highlighted problems with inspection procedures. President Bakiyev subsequently signed a law, with business community support, that reined in the inspection system and provided recourse for businesspeople misled by contradictory laws and regulations.

¶4. (U) With estimates, echoed by the International Monetary Fund, of robust 9% economic growth in Kyrgyzstan this year and a booming Bishkek real estate market, the parliament on June 18 passed a government-proposed capital repatriation amnesty. The government is also contemplating additional measures to legalize the shadow economy.

#### Making Judicial Amends and Crafting Better Tools

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¶5. (SBU) While making progress in the economic and business sectors, the government has also taken steps to reform the Kyrgyz judicial environment. The Kyrgyz are looking to the proposed Millennium Challenge Threshold Country Program to push reforms in criminal procedure, the procuracy, and law enforcement agencies, but this would not constitute the sole impetus for change. Related reforms, such as an April 2007 law that updated sentencing options to permit fines instead of incarceration and shifted some offenses and sentences to less serious categories, are already underway. Additional recent measures have decriminalized slander and libel. The government added, and is training, 43 new judges to expedite

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judicial proceedings. These actions complement other significant steps such as the passage of the witness protection and anti-money laundering laws during the second half of last year.

#### Harmonizing the Balance of Power

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¶6. (SBU) Economic, business and judicial reforms have occurred amidst a dynamic political environment. The April 2007 protests, following the November and December 2006 constitutional revisions, yielded an agreement to submit opposition-supported constitutional amendments to the Kyrgyz Constitutional Court for review. The changes under consideration would expand parliament to 105 members with half elected from political parties, empower parliament to select the prime minister, and require parliamentary approval of the dismissal of the prosecutor general and governors. These revisions were submitted to the Constitutional Court in mid-April, and according to Kyrgyz law, the Court has up to six months to issue its findings. The amendments would require parliamentary and presidential approval before being adopted.

¶7. (SBU) Using the Constitutional Court to validate these revisions permits additional reflection and avoids the sudden shifts that characterized the adoption of the two late 2006 constitutions. The changes would augment parliament's power, but would also establish a more stable footing for the relations between the executive and legislative branches of the Kyrgyz government.

#### Media Reforms

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¶8. (SBU) Developments on the constitutional front coincide with President Bakiyev's agreement this spring to transform state television into a public, non-partisan institution. Kyrgyz public television's governing board will have 15

members with equal numbers being nominated by the president, parliament and civil society. A parliamentary committee reviewed all the nominations June 15, and the final membership of the board should be established soon. In addition, the decision to decriminalize libel and slander was an important step forward for media freedom.

Comment

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[¶](#)9. (C) Substantial reform has continued in Kyrgyzstan amidst high profile political wrangling as well as the continued focus on Manas airbase. While much more needs to be done, the Kyrgyz have taken the initiative to pursue and institute needed reforms. Given the appetite for reform, a positive decision to fund the Kyrgyz Millennium Challenge Threshold Country Plan could spur additional reforms outside the law enforcement and judiciary sectors targeted in the Threshold Country Plan.

YOVANOVITCH